

Saudi Electricity Company ('SEC')
Financial results for the three months ending 31 March 2019

Electricity consumption and revenues remains stable. Operational efficiency improvements continues, however higher finance charges affect net profit

Riyadh, 1 May 2019 – Saudi Electricity Company (“SEC”), the largest utility company in the Middle East and North Africa region, announces its interim financial results for the period ended 31st March 2019.

Figures in SAR million	Periods		
	Q1 2019	Q1 2018	% change
Description			
Revenues	11,395	11,401	(0.1)%
Gross Losses	(636)	(624)	(1.9)%
Gross Losses Margin %	(5.6)%	(5.5)%	(0.1)pp ⁽²⁾
Operating Losses/Profits	(594)	(643)	7.6%
Operating Losses/Profit Margin %	(5.2)%	(5.6)%	0.4 pp
Net Losses/Profits	(1,489)	(1,214)	(22.7)%
Reported Losses/Earnings per share (SAR)	(0.36)	(0.29)	(22.7)%
Net comprehensive income/losses	(1,626)	(1,138)	(42.9)%
EBITDA ⁽¹⁾	3,763	3,194	17.8%
EBITDA Margin %	33.0%	28.0%	5.0pp

(1) EBITDA = net profit/losses + depreciation + net interest expense + zakat and tax expense + net amortization

(2) pp : percentage points

HIGHLIGHTS

- Stable total operating revenues primarily driven by stable consumption, continued growth in customer base and higher other operating revenues.
- Continued improvement in operational efficiency is demonstrated by continuous cost savings in fuel and operations and maintenance costs.
- SAR 5.2 billion invested in capital projects during the first three months of 2019 (Q1 2018: SAR 7.3 billion).
- SEC's AGM approved a dividend payment for 2018 of SAR 0.70 a share which is in line with the dividend payout per share in previous years.
- SEC continues to be one of the highest rated corporate in Saudi Arabia with A2/A/A- ratings by Moody's, Fitch and S&P respectively.

PERFORMANCE REVIEW

Revenues

Item (SAR million)	Q1 2019	% of Total	Q1 2018	% of total	Change
Electricity sales	9,886	86.8%	10,264	90.03%	(3.7)%
Meter reading, maintenance and bill preparation income	333	2.9%	322	2.83%	3.5%
Electricity connection tariff	388	3.4%	334	2.93%	16.4%
Transmission system revenues	491	4.3%	435	3.82%	12.9%
Other operating revenues	297	2.6%	46	0.41%	539.4%
Total operating revenues	11,395	100.00%	11,401	100.00%	(0.1)%

- Stable total operating revenues in Q1 2019 is reflecting the following:
- 3.7% YoY decline in electricity sales in Q1 2019 over corresponding period of 2018 is reflecting stable electric power volume sold in Q1 2019 of 48.17 Twh (Q1 2018 : 48.28 Twh), with a change in the consumption mix toward higher contribution of the industrial segment.
- 16.4% YoY increase in electricity connection fee revenues is attributable to 4% YoY growth in the customer base to 9.5 million from 9.14 million and higher recognized component of deferred revenues.
- Higher revenues of transmission system is due to higher wheeled energy to other producers who use SEC's transmission national grid to transmit power.
- Higher revenues from the tariffs charged for meter reading, maintenance and bills preparation are in line with the continuing increase in the customer base.
- 539.4% YoY increase of in other operating revenues is primarily driven by higher revenues for reconnecting customers, higher fibre optic lease revenues, a new revenues from project supervision services and a one-off penalty charge related to a violation for surpassing agreed consumption limits by an industrial consumer.

Cost of Sales

Item (SAR million)	Q1 2019	% of total	Q1 2018	% of total	Change
Fuel	1,033	9%	1,150	10%	(10.2)%
Purchased energy	1,859	15%	1,886	16%	(1.4)%
Operation and maintenance	2,214	18%	2,369	20%	(6.5)%
Government fees	2,367	20%	2,603	22%	(9.1)%
Depreciation ⁽¹⁾	4,559	38%	4,018	33%	13.5%
Cost of Sales	12,032	100%	12,025	100%	0.1%

⁽¹⁾ Depreciation relating to operating assets and right of use assets

- 10.2% YoY decrease in fuel costs is reflecting lower produced energy and savings from continued optimization of the fuel mix towards lower consumption of the diesel and improvements in generation thermal efficiency.
- 1.4% YoY decrease in purchased power cost is mainly due to lower purchased power volume from IPPs and IWPPs generation.

- 6.5% YoY decrease in operations and maintenance costs is mainly due to a reversal of inventory provision and lower labour costs driven by the human resources productivity improvement program.
- The Government fees which comprise an amount equal to the additional revenue generated as a result of the new tariffs introduced effective from 1 January 2018 as compared to the previous tariffs decline 9.1% primarily due to continued consumption rationalization.
- 13.5% increase in depreciation reflecting the growth in the operating asset base as projects amounting to SAR 41 billion were completed and became operational over the course of the last 12 months.

EBITDA, Margins, and Net Profit/ Losses

- EBITDA up 17.7% YoY to SAR 3,763 million is demonstrating improved operational performance despite flattish consumption trend.
- 22.7% YoY increase in reported net loss attributable to SEC shareholders in Q1 2019 to SAR 1,489 (Q1 2018: SAR 1,214 million) is primarily due to higher finance charges.
- Improved operational efficiency, lower government fees, and higher other income lower operating losses and alleviate the impact from increased finance charges on net losses.

Cash Flow and Capital Expenditure

- Significant increase in cash flow from operations to SAR 5.1 billion (Q1 2018: SAR 2.1 billion) mainly driven movement in working capital primarily arrived from higher advances from customers and lower receivables.
- Overall SAR 4.8 billion in Q1 2019 (Q1 2018: SAR 7.4 billion) net outflow of cash due to investing activities, in line with SEC's strategy to meet the demand, improve reliability of supply, connect new customer.
- Net cash inflow from financing activities during Q1 2019 of SAR 0.33 billion (Q1 2018: SAR 9.5 billion) was primarily from proceeds drawn down from commercial loan facilities totaling SAR 7.16 billion and receipts of government grant of SAR 0.09 billion. This is partially offset by repayments of loans of SAR 6.04 billion, paid finance costs of 0.87 billion, lease contracts obligations and dividend disbursements of SAR 0.01 billion.
- SEC closed Q1 2019 with a gross cash position of SAR 3.0 billion (Q1 2018: SAR 1.1 billion).

Balance Sheet

- The growth in the asset base reflects SEC's continuing major investments into its generation, transmission and distribution capabilities. During Q1 2019, SEC's asset base had grown 0.4% to SAR 466.6 billion (2018 end: SAR 464.6 billion), with shareholders' equity declining 2.2% to SAR 72.1 billion (2018 end: SAR 73.7 billion).
- Starting from 1st January 2019, SEC has adopted IFRS 16 (leases). For further details, note 2.1 (Effect of changes in accounting policies as a result of application of new standards) can be read in the notes of the consolidated interim financial statements for the three months ended 31 March 2019.

Further enquiries

SEC Investor Relations
(Tel # +966 11 80 77161)

Email: ir@se.com.sa

Overview of Saudi Electricity Company (“SEC”)

SEC is the largest utility in the MENA region with a market capitalization of SAR 63.1 billion (US\$16.8 billion) as at 31 March 2019, and is one of the largest companies listed on Saudi stock exchange “Tadawul” by market size. It is a vertically integrated company involved in the generation, transmission and distribution of electricity to over 9.5 million customers in Saudi Arabia. Saudi Arabia is one of the Top 20 economies globally whose demand for electricity is driven by favorable demographic makeup and an increasingly diversified and growing economy.

For further information on SEC and the full interim financial statements for the three months period ended 31 March 2019, please refer to the corporate website: www.se.com.sa

End of Release.